Lapai Journal of Economics; Volume 9, No.1; 2025
Print ISSN: 2659-028X
Online ISSN: 2659-0271
DOI: https://dx.doi.org/10.4314/lje.v9i1.1
Published by Department of Economics, IBB University Lapai, Niger State, Nigeria

The Future of the ECO Currency in 2027 under the Dismantling of the French Franc

Basima Kzar Hassan

Department of Economics Studies, Centerfor Basra and Arab Gulf Studies, University of Basra.

Correspondence Email: basima.hassan@uobasrah.edu.iq

Abstract

This study aims to identify and assess the economic, political, and operational effects that the introduction of the ECO currency in the WAEMU area can cause. The goal is to evaluate that how this currency transition could impact the region's macroeconomic stability, integration and development trajectory. The currency transition is analyzed using both quantitative and qualitative research in order to ensure that a broad perspective of the issue is embraced in the study. Data were collected through survey forms administered to different financial and governmental people include preparedness measures and the public's perception of the currency's introduction. Automatic quantitative analyses such as correlation and regression are used to examine the relationship between demographic characteristics, political stability, and economic growth perception. The study reveals a low correlation between political stability, employment opportunities, and economic growth, stressing the need for further research into the factors influencing economic performance. Primary research findings show a high level of knowledge and proactive management among respondents, along with strong enthusiasm regarding the ECO currency's potential to enhance regional integration and economic stability. The findings and analysis of the study provides valuable insights into the nature of economic shocks, emphasizing the importance of strategic planning, preparation, and sustained efforts for meaningful economic transformation. These findings serve as a critical resource for policy makers and financial institutions within WAEMU, as they work toward implementing the ECO single currency, aiming to establish a sound macroeconomic foundation that supports sustainable growth. Furthermore, the study recommends that the future research explores psychological factor and long term economic consequences of the currency transition to ensure a comprehensive understanding of its broader impact.

Keywords: ECO currency, WAEMU, economic integration, political stability, currency transition, regional trade, West Africa.

JEL Classification: N47. N77, O55

1. Introduction

The ECO currency was recently suggested as a single currency for the West African Economic and Monetary Union (WAEMU) to shift the monetary transformation in West Africa. It is intended to replace the CFA Franc, which is presently linked with the French Francs/Euro and underlines France's hegemonic control in the region. The change of the French Franc to ECO currency in Francophone economies that signifies the decolonization of their economy will enhance the economic relations in the region since it intends to free the economy from the European colonial

bias on the structure of its economy (Baxendale & Stables, 2020). In addition to France's hegemonic influence, the CFA Franc has been criticized for imposing serious economic and institutional constraints on West African countries. A major concern is the lack of monetary independence, as member states can not fully determine their own monetary or exchange rate policies due to the CFA Franc's fixed peg to the Euro and its backing by the French Treasury (Pigeaud & Sylla, 2021). This arrangement limits their ability to respond to domestic economic pressures or financial crises. Additionally, a significant portion of the region's foreign exchange reserves must be held in France, which reduces liquidity available for internal development and weakens local financial autonomy. The currency structure discourages industrial growth and deepens reliance on imports hindering long term economic competitiveness and diversification (Nubukpo, 2019).

This change to ECO currency is vital given Africa's new voice in managing the global economy. This paper evaluates the effects of these changes on the French Economy regarding the impacts resulting from breaking the French Franc. This is helpful as this shift could impact aspects such as banking crises, currency fluctuation, sovereign debt impairment, and other economic factors that help improve the growth and development of the economy in the region (Carson, 2022).

Previous studies on the ECO currency has primarily focused on the historical and political dimensions of West Africa's dependence on France, with several studies examining the colonial legacy and lack of monetary sovereignty under the CFA Franc system. Other studies provided valuable insights into technical and institutional preconditions, necessary for adopting the ECO such as macroeconomic convergence and regional monetary frameworks. However, these studies fall short of examining public perception, preparedness, and the combined political, operational and economic effects of the country. This study aims to bridge that gaps by: (1) Analyzing the potential economic impacts of the ECO currency's introduction on the member states of the WAEMU; (2) Evaluating the broader implications of reducing the French Franc's influence on banking stability and economic crises in West Africa; (3) Proposing actionable insights and recommendations for policymakers to mitigate risks associated with this monetary transition.

2. Literature Review

The globalization of the monetary system, especially about the absorption of foreign exchange, has been a topic of discussion within the framework of macroeconomics, more so in the context of integrating members within a mono-currency system. Research by Czerniak and Smolenska (2019) on the European Monetary Union states that currency integration has strengths and weaknesses, such as increased efficiency in trade and increased asymmetries of economic shocks between the member states. In the case of West Africa, Cilliers (2021) on the economic preconditions and stability consequences of currency unions in developing countries has indicated that while currency convergence fosters macro elasticity stability, it entails complex institutional underpinnings to the differences in the member states' economic structures.

This implies that apart from economic factors such as trade balances, fiscal policies, level of development, and inflation rates, which define the stability of a currency within a given region, political and social factors cannot be overemphasized by NNE. Another variable that is as interesting as the rest is the level of political risk, the quality of governance, and the level of public trust in the financial sector. Another study that El-Hayanı (2023) has done on the subject has also embraced the effects of political instability that lead to the instability of the rates due to policy changes and other factors. Other determinants of currency stability include population density and demographic distribution and their perception of any shifts in their economic policies. Because of

these factors, examining how the ECO could function under different socio-political environments in the WAMA of West Africa is necessary.

This study is based on the Optimum Currency Area (OCA) theory since most works aiming to check whether a certain currency union is feasible and appropriate are grounded on this theory. According to Dzekashu (2021), some crucial elements constituting the optimum currency area are the mobility of the labor force, mobility of capital, and interstate fiscal transfer. This theory will be applied to analyze if the viscosity of the WAEMU region meets the required threshold necessary for successful currency integration with the launch of the ECO currency. Following the above facts, modern monetary theory (MMT) analyzes how sovereign currency issuance under various political regimes affects economic stability and sustainable debts distinct to West Africa's economic setting.

3. Methodology

Mixed-Methods Approach

Specifically, this study relies on a mixed-methods research design to give a more holistic analysis of the future effects of the ECO currency, assuming that the French Franc is eliminated. Economic data is then used to examine statistical tendencies evident in different economic predictors, and qualitative data is used to determine the factors contributing to those tendencies. In this respect, both approaches will be used simultaneously to comprehensively analyze the potential economic implications that would complement the quantitative outcomes with the qualitative data (Nadjet, 2023). This approach is particularly suitable given the diverse nature of population targeted in the study, which includes financial experts, economists and policy makers across the eight WAEMU countries. The population consist of individuals directly involved in economic policy design, currency regulation, and financial sector governance, ensuring that the insights gathered are rooted in practical expertise and regional knowledge.

Data Sources

Data for this study are derived from International Financial Funds, the World Bank, and African Development Bank sources of the World Bank database that contain reliable economic figures of WAEMU countries. Such sources are selected for credibility, comprehensiveness, and, often, real-time data to guarantee reliability and up-to-date information. The sample size was determined using purposive sampling, targeting of a minimum 100 expert respondents across the WAEMU regions. This criterion is based on ensuring a thematic saturation in qualitative interviews and an adequate sample size for regression reliability in quantitative analysis. Primary data is collected from semi-structured interviews with practicing economists, policymakers, and banking officials operating in the region as they apprise the practical impact and the expected change in adopting a new currency. Respondents were selected based on their active involvement in regional economic planning or monetary policy development, using expert judgment and purposive sampling. Each participant was chosen for their professional relevance, institutional affiliation, and direct engagement with the ECO currency transition agenda.

Statistical and Qualitative Methods Used

Regression analysis using SPSS is then used to assess the effect of introducing the ECO currency on major economic indicators. The model entails components such as GDP growth, inflation rates, and level of external debt, among others. By incorporating other variables, such as political stability and governance quality, using the Global Governance Indicators, the model's explanatory power is achieved. Interview data are also analyzed by thematic analysis to determine the variety of concern-related holders have about the currency transition (Polyakov, 2022). The combination of regression

analysis and in-depth interviews ensures methodological triangulation, enhancing the validity of findings and enabling interpretation from both numerical trends and human perspectives.

Description of Variables

Variables included in the quantitative analysis are Economic Variables such as GDP growth, inflation rate, external debt, exchange rates. Political Stability measured by the Political Stability and Absence of Violence/Terrorism Index, which reflects perceptions of the likelihood that the government will be destabilized or overthrown. Governance Quality measured by the Government Effectiveness Index, which reflects perceptions of the quality of public services, the quality of civil service and the degree of its independence from political pressures. Social Indicators unemployment rate, demographic data on labor force participation.

These variables are selected based on their potential impact on economic stability and are expected to provide insights into the dynamics of economic crises and stability in the context of currency integration (Dennis *et al*., 2022; Polyakov, 2022).

4. Results

Quantitative analysis

Correlations Analysis. The result for correlation matrix on the ECO currency provides insights into the relationships between demographic variables and perceptions of the ECO currency's economic and political impact. Significant correlations, albeit few, are notable.

Age and Political Variables: Age shows a significant negative correlation with both decreasing political interference (-.206, $p = .040$) and reduction of banking crises (-.210, $p = .036$), suggesting that older participants may be less optimistic about the ECO currency's ability to mitigate political interference and stabilize the banking sector.

Years of Professional Experience and Political Stability: This variable shows a strong positive correlation with political stability (.344, $p < .001$), indicating that those with more professional experience perceive a stronger potential for political stability with the introduction of the ECO currency.

Employment Opportunities and Vulnerability to External Shocks: There is a significant positive correlation (.233, $p = .019$) suggesting that perceptions of increased employment opportunities are associated with reduced vulnerability to external shocks.

Banking Stability: Shows a significant positive correlation with economic growth impact (.216, $p = .031$), which supports the notion that banking stability is perceived as a critical factor in fostering economic growth under the new currency regime.

These findings highlight critical perceptions among different demographic groups regarding the potential impacts of the ECO currency, which could inform policy and communication strategies to address concerns and leverage optimistic viewpoints effectively (Ntongho, 2024).

Table 1: Correlations Analysis

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
A	1	-.069	-.030	-.081	.093	.065	-.049	.010	-.019	-.206*	.085	-.125	-.081	.008
B	-.069	1	-.047	-.124	-.090	-.083	-.077	.138	.010	.192	.060	-.023	.194	.143
C	-.030	-.047	1	.150	.098	.059	.125	.039	-.086	-.116	.086	.040	-.127	-.093
D	-.081	-.124	.150	1	.185	-.020	.008	-.095	.026	-.079	-.038	.026	-.143	-.077
E	.093	-.090	.098	.185	1	.040	.113	-.134	.344**	.071	.016	.116	.056	-.155
F	.065	-.083	.059	-.020	.040	1	-.093	-.046	.042	.014	.031	.073	.004	-.040
G	-.049	-.077	.125	.008	.113	-.093	1	-.058	-.044	-.083	.042	.004	-.183	-.151
H	.010	.138	.039	-.095	-.134	-.046	-.058	1	.053	-.049	-.024	.015	-.021	.233*
I	-.019	.010	-.086	.026	.344**	.042	-.044	.053	1	.082	.077	.163	.078	-.107
J	-.206*	.192	-.116	-.079	.071	.014	-.083	-.049	.082	1	-.091	-.111	.016	.060
K	.085	.060	.086	-.038	.016	.031	.042	-.024	.077	-.091	1	.090	.015	.217*
L	-.125	-.023	.040	.026	.116	.073	.004	.015	.163	-.111	.090	1	-.112	.031
M	-.081	.194	-.127	-.143	.056	.004	-.183	-.021	.078	.016	.015	-.112	1	-.094
N	.008	.143	-.093	-.077	-.155	-.040	-.151	.233*	-.107	.060	.217*	.031	-.094	1
O	-.013	-.142	.015	-.045	-.024	.216*	.135	-.054	.073	-.153	-.087	.029	.061	-.074
P	-.210*	-.072	-.098	.051	-.071	-.037	.099	-.050	.035	-.004	-.054	-.032	.024	-.179

Note: A; Age, B; Gender, C; Education Level, D; Occupation, E; Years of Professional Experience, F; Economic Growth Impact, G; Control of Inflation, H; Vulnerability to External Shocks, I; Political Stability, J; Decrease Political Interference, K; Governance Quality, L; Accountability of Financial Institutions, M; Public Perception of ECO Currency, N; Employment Opportunities, O; Banking Stability, P; Reduction of Banking Crises; N = 100
Source: Authors' Compilation

Regression Analysis

The regression analysis conducted to explore the impact of "Political Stability" and "Employment Opportunities" on "Economic Growth Impact" reveals limited explanatory power for these variables.

Table 2. Combined output of Model Summary, ANOVA, and Regression Coefficients

Coefficients	B	Std. Error	Beta	Sig. (p-value)
(Constant)	3.108	0.488	—	0.000
Political Stability	0.041	0.107	0.039	0.705
Employment Opportunities	-0.036	0.102	-0.036	0.728
R^2	0.003			
F	0.149			
Sig. (p-value)	0.862			

Source: Authors Computation

The model's R-squared value of 0.003 indicates that only 0.3% of the variance in economic growth impact is explained by the included predictors, which suggests a weak model fit. The ANOVA table shows a high p-value (Sig. = .862) for the regression model, indicating that the model as a whole fails to significantly predict economic growth impact based on political stability and employment opportunities. This result suggests that other factors not included in the model might be more influential in predicting economic growth impacts in the context of the ECO currency introduction. Examining the coefficients table, both predictors show non-significant t-values (Political Stability: p = .705, Employment Opportunities: p = .728), implying that neither political stability nor employment opportunities significantly contribute to variations in economic growth impact. The standardized coefficients are also very low (Beta values close to zero), further highlighting their minimal contribution to the model.

Table 3. Summary of Regression Model Results

Component	Result	Key Interpretation
R Square (R^2)	0.003	Only 0.3% of variance in economic growth is explained.
Adjusted R^2	-0.01	Model does not improve with added predictors.
F-statistic	0.149	Very low test statistic for overall model fit.
Sig. (ANOVA p-value)	0.862	Model is not statistically significant.
Political Stability (p)	0.705	Not a significant predictor of economic growth.
Employment Opportunities (p)	0.728	Also not a significant predictor.
Beta Values	Near Zero	Very low contribution to explaining variance.
Std. Error of Estimate	1.478	Indicates average deviation from predicted value.

Source: Authors Computation

The analysis suggests that political stability and employment opportunities, as modeled here, are not strong predictors of economic growth impact in the context of transitioning to the ECO currency.

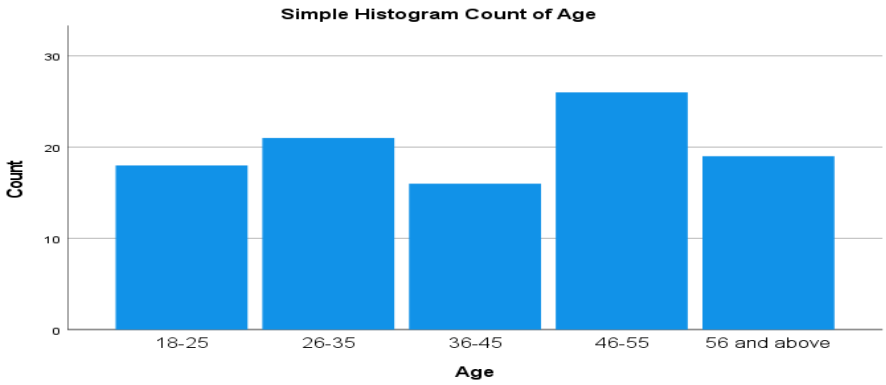

Figure 1: Age (Histogram)

The histogram displays the distribution of age groups among respondents. The largest group comprises individuals aged 46-55, followed closely by those aged 26-35 and 56 and above, indicating a generally older demographic. The 36-45 age group has slightly fewer respondents than the 18-25 age group, suggesting lower participation rates among them.

Qualitative Analysis

Theme 1: Awareness and Understanding of the ECO Currency

The professionals demonstrate a clear awareness and a sophisticated understanding of the ECO currency and its potential impacts on economic systems within the WAEMU. For instance, the Chief Financial Officer explicitly acknowledges the currency's implications: *"I have a deep understanding; integrating this new currency could significantly alter financial reporting and economic forecasting in our region"* (Participant 1). A Senior Policy Advisor articulates the anticipated substantial benefits for regional trade, reflecting a policy-level comprehension: *"The impacts are projected to be substantial, facilitating easier trade and investment flows"* (Participant 2). These insights present an understanding of the currency's strategic value from varying career approaches (Társia, 2024).

Theme 2: Preparedness and Strategic Integration

The participants from all sectors, whether civil society, the government, or business, say that their organizations are ready for the change towards the ECO currency with contingency plans and mechanisms. A Director of International Relations discusses their proactive measures: *"We are updating our systems and training our staff to ensure a smooth transition to the ECO currency"* (Participant 3). In the government sector, similar strategic efforts are noted: *"We are collaborating closely with central banks and other financial institutions to ensure a seamless policy framework is in place"* (Participant 2). These statements largely complement the meticulous and planned pre-requisites put in place in order to ensure the currency integration takes place effectively (Västilä et al., 2021).

Theme 3: Impact on Economic Integration and Decision-Making

The participants agree that introducing the ECO currency will improve economic integration and decision-making. (Somer & Alkhayat, 2024). The Chief Financial Officer from the first transcript expresses confidence in the currency's ability to improve economic cohesion and simplify

transactions: *"Definitely, it should foster greater economic cohesion and simplify cross-border transactions"* (Participant 1). Similarly, another participant emphasizes the strategic benefits: *"Absolutely, it's a significant step toward financial integration and will help in achieving a more unified economic policy framework across the region"* (Participant 3). These reflections present the positive attitudes towards the role of the currency in increasing regional economic stability and improving strategic decisions.

The analysis of the transcripts revealed a persistent acknowledgment from different categories of sectors on the role that ECO currency could trigger on the economy. The expectation of these changes is associated with their careful and deliberate planning, which implies that the interested parties are informed and ready to deal with the consequences of this crucial monetary change. This insight will be critical in tackling the prospects and optimizing the risks associated with introducing the ECO currency.

Discussion

The ECO as a new currency in the WAEMU area is conceptualized as a qualitative shift and is discussed further in terms of its quantitative aspects to discern further meanings of this change. Qualitative results reveal a positive relationship between the demographic factors and their views on political interference and that people with advanced age have doubts about the effectiveness of the currency in solving political problems. Furthermore, it is apparent from the results that professional experience has a significant positive relationship with perceived political stability, meaning that only those with more experience may have the opportunity to understand the possible effects of the currency on stability and understand them in detail (Shawcross, 2018).

The regression analysis suggests that factors such as political stability and employment opportunities have near-zero correlations with economic growth impact, as pointed to by a poor R-squared value and insignificant coefficient estimates. This implies that other factors that have not been looked at may be more influential in bringing about the economic changes the ECO currency is expected to bring about. Hence, such results imply the multifaceted nature of economic changes and the existence of a call for more extensive and integrated models that indicate a wide range of factors that may impact these changes (Staab, 2020).

The qualitative analysis shows significant preparedness across institutional financial and governmental sectors for adopting the ECO currency, as evidenced by active system upgrades and other preparations. Regarding the performance, people support the idea of the currency following its favorable economic implications, such as ease in conducting international trade and increased economic integration in the region. This optimism is essential not only to consider the region for a successful transition but also to create optimistic sentiments on the positive role of the currency for the growth of the economy and its stabilization (Zimmermann, 2023).

When reconciling these findings, it is evident that while the quantitative components stress the necessity to examine further the factors that drive economic performance, the qualitative feedback displays vital elements of readiness for and optimism about the journey. This balanced viewpoint helps find the optimal solutions for meeting the essential needs. It aims in the framework of this large-scale monetary reform and avoids possible negative tendencies that may be inevitable in this reforming process.

5. Conclusion and Recommendations

This work's quantitative and qualitative assessment enables the identification of valuable insights surrounding the introduction of the ECO currency in the WAEMU area. Measures of association

revealed that age, professional experience, and political interference and stability were moderately correlated with the measures of harassment perceptions (statistical results consistent with Powell, 2020). This was overturned by the regression analysis that indicated that other variables such as political stability, employment opportunities, and the level of competency in institutions did not play any significant role in perceived economic growth, meaning that there is a need to employ a broader frame of analysis to observe what determines the economic effects of the ECO currency.

Qualitative analysis revealed high preparedness and optimism towards the ECO currency. Today, Government and financial organizations have been upgrading their systems and developing new strategies for this significant change in money, which was seen as being proactive. There is a strong reliance on the belief that the ECO currency will facilitate international trade, improve economic cooperation, and more broadly, contribute to the development and stability of the region's economy. This qualitative analysis highlights that how complex a transition such as the introduction of a new currency truly is. While the qualitative data indicate the central bank's readiness and confidence, the quantitative analysis suggests that the economic impacts of the ECO currency may depend on underlying variables not yet fully incorporated into the existing models. This is perhaps a gap between perception and potential real-world economic outcomes that will require a bridge in terms of knowledge and research.

Based on the theoretical concepts, the conclusions are drawn on the assumption that economic transitions are complex phenomena determined by several economic, demographic, and psychological factors. In terms of practical applications, the findings from this research can be helpful for policymakers and institutions in the WAEMU region as they plan for the shift to the new currency. They result in an evidence-based approach for the educational and operational interventions that should be made to facilitate a smooth implementation process.

Future studies focusing on the ECO currency introduction may extend the list of quantitative variables that could affect the economic performance indicators, considering regional and global cross-border integration, disaggregate micro-level effects, and by sectors. This type of study would be beneficial in evaluating the effects of using the currency throughout the period, especially in unveiling the long-term effects of the currency transition on economic stability and growth. In order to gain a broader perspective, it could be helpful to compare experiences of similar economic transitions in other regions of the world and distill valuable lessons for the WAEMU case. This kind of study would improve the theoretical construct of monetary transitions and strengthen methods embraced when handling such a substantial improvement in gross

References

Baxendale, A. S., & Stables, J. A. (2020). Is the Eiffel Tower Worth More Than the Statue of Liberty? Techniques for Determining the Value of Iconic National Landmarks-Part I. *The Appraisal Journal*, *88*(2), 103-125.

Carson, H. R. (2022). French Bilateral Aid to Mali: Examining the Donor-Recipient Relationship's Effect on Development.

Cilliers, J. (2021). *The future of Africa: Challenges and opportunities* (p. 421). Springer Nature.

Czerniak, A., & Smolenska, A. (2019). *Poland without the euro: a cost-benefit analysis*. Fundacja Przyjazny Kraj.

Dennis, M. O., Osang, P. A., & Ugwunna, O. T. (2022). Monetary Integration, Single Currency Zone and Economic Growth of Sub-Saharan African Countries. *Journal of Chinese & African Studies*, *3*(1).

Dzekashu, W. G. (2021). French economic and monetary policies in Francophone Africa: A barrier to economic development in the Central and West African Monetary Zones. *Archives of Business Research*, *9*(11), 51-68.

El-Hayanı, A. (2023). The İmpact of the Francafrique Policies on the European Union's External Migration Policy towards Neighbourhoods: The Case of the Kingdom of Morocco as a Transit Country.

Nadjet, S. (2023). Legal concerns about ICT protection in entrepreneurship. *Resmilitaris*, *13*(1), 1552-1595.

Ntongho, R. A. (2024). Why Institutions Matter for Eco Currency. *The African Review*, *1*(aop), 1-19.

Nubukpo, K., Ze Belinga, M., Tinel, B., & Dembélé, D. M. (2016). *Sortir l'Afrique de la servitude monétaire. À qui profite le franc CFA?*. Dispute (La).

Pigeaud, F., Sylla, N. S., & Merrino, S. (2020). *Africa's last colonial currency: The CFA Franc story*.

Polyakov, A. (2022). Cooperative Threat Reduction and Nuclear Security Initiatives in Bilateral Relations. In *Russian–American Nuclear Nonproliferation Dialogue: Lessons Learned and Road Ahead* (pp. 235-261). Singapore: Springer Nature Singapore.

Powell, N. K. (2020). *France's Wars in Chad: Military Intervention and Decolonization in Africa* (Vol. 150). Cambridge University Press.

Shawcross, E. (2018). *France, Mexico and Informal Empire in Latin America, 1820-1867: Equilibrium in the New World*. Springer.

Somer, M. E., & Alkhayat, O. (2024). A study on wood waste potential in TURKEY. *Cleaner Waste Systems*, 100151.

Staab, A. (2020). *The End of Europe?: The Five Dilemmas of the European Union*. Lexington Books.

Társia, J. P. T. (2024). European Union and global environmental governance: strategic narratives and the defense of the Amazon rainforest.

Västilä, K., Väisänen, S., Koskiaho, J., Lehtoranta, V., Karttunen, K., Kuussaari, M., & Koikkalainen, K. (2021). Agricultural water management using two-stage channels: Performance and policy recommendations based on Northern European experiences. *Sustainability*, *13*(16), 9349.

Zimmermann, T. A. (2023). A case of unilateral trade liberalization: The autonomous abolition of industrial tariffs by Switzerland in 2024. *Aussenwirtschaft-Schweizerische Zeitschrift für internationale Wirtschaftsbeziehungen-The Swiss Review of International Economic Relations*, *73*, 113-169.